

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

RATE ADJUSTMENT DUE TO )  
EXTRAORDINARY OR EXCEPTIONAL ) Docket No. R2013-11  
CIRCUMSTANCES )

**QUESTIONS PROPOSED BY  
MPA—THE ASSOCIATION OF MAGAZINE MEDIA,  
THE AMERICAN CATALOG MAILERS ASSOCIATION, INC.,  
DIRECT MARKETING ASSOCIATION, INC.,  
ALLIANCE OF NONPROFIT MAILERS,  
ASSOCIATION OF MARKETING SERVICE PROVIDERS,  
MAJOR MAILERS ASSOCIATION,  
NATIONAL NEWSPAPER ASSOCIATION,  
PRINTING INDUSTRIES OF AMERICA,  
QUAD/GRAPHICS, INC., R.R. DONNELLEY,  
SOFTWARE & INFORMATION INDUSTRY ASSOCIATION/  
AMERICAN BUSINESS MEDIA, AND TIME INC.  
FOR HEARING ON NOVEMBER 19, 2013  
(November 8, 2013)**

Pursuant to 39 C.F.R. § 3010.65(c), Order No. 1847 (at 6-7), and Presiding Officer's Ruling No. R2013-11/1, the undersigned parties propose that the Commission ask the Postal Service the following questions of Postal Service witness Thomas E. Thress. Mr. Thress is scheduled to appear during the hearing on November 19, 2013. Presiding Officer's Ruling No. R2013-11/3 (issued November 7, 2013) at 1.

**Magnitude And Timing of Losses Attributed To Recession**

1. You estimate that the 2007-2009 recession caused FY 2012 mail volume to be 25.5 percent less than it would have been had there not been a recession. Correct? [Derivation: 53.546 billion recession-related volume loss divided by (53.546 billion + actual FY 2012 market-dominant volume of 156.280 billion. Source: USPS-R2010-4R/10, Exigent Impact.xlsx, "Testimony Tables"]

2. You estimate that the “Impact of the Great Recession on Market-Dominant Mail Volumes” was larger in FY 2012 than in FY 2011? [Derivation: 53.546 billion impact in FY 2012 is larger than the 47.981 billion impact in FY 2011. Source: USPS-R2010-4R/10, Exigent Impact.xlsx, “Testimony Tables”]
3. You estimate that the annual drop in mail volume caused by the recession deepened by 5.6 billion pieces from FY 2011 to FY 2012. Correct? [Derivation: 53.546 billion in FY 2012 minus 47.981 billion in FY 2011. Source: USPS-R2010-4R/10, Exigent Impact.xlsx, “Testimony Tables”]
4. You express the expectation that the impact of the 2007-2009 recession on mail volumes will be even larger in FY 2013 than in FY 2012? Correct? [Source: Response to POIR No. 1, Question 6.a. through -c.]
5. You express the expectation that the impact of the 2007-2009 recession on mail volumes will be even larger in FY 2014 than in FY 2013. Correct? [Source: Response to POIR No. 1, Question 6.a.-c.]
6. Now, the real (i.e., inflation-adjusted) Gross Domestic Product declined by about 4.3 percent from 2007 to the trough of the recession in mid-2009. Correct? [Derivation: Quarterly Real GDP (Chained 2009 Dollars), Seasonally Adjusted Annual Rate declined from \$14.996 trillion in 2007, Q4, to \$14.356 trillion in 2009, Q2. Source: <http://research.stlouisfed.org/fred2/series/GDPC1>]
7. That decline is only about one-sixth as large as the 25.5 percent decline in mail volume that you attribute to the recession in FY 2012? [Derivation: 4.3 percent divided by 25.6 percent]
8. Real GDP began to rebound beginning in mid-2009? Correct? [Derivation: Quarterly Real GDP (Chained 2009 Dollars), Seasonally Adjusted Annual Rate was higher in 2009, Q3, than in 2009, Q2. Source: <http://research.stlouisfed.org/fred2/series/GDPC1>]
9. Real GDP in FY 2012 was *higher* than before the recession started. Correct? [Derivation: Quarterly Real GDP (Chained 2009 Dollars), Seasonally Adjusted Annual Rate was \$14.996 trillion in 2007, Q4. In 2011, Q4 (the first quarter of FY 2012), the corresponding rate was \$15.242 billion. Source: <http://research.stlouisfed.org/fred2/series/GDPC1>]

### **Classification of regression variables as recession-related**

10. My next question is about the table you produced as the last page of your response to POIR No. 3, Question 5.
  - a. Please look at the two right-hand columns, which are captioned "Columns V:W" and "Columns D:G". Do you see those?
  - b. Those columns show the effects of the explanatory variables you classify as recession-related in your time-series regression?
  - c. The column labeled "Columns V:W" refers to the volume effects of "time trends" you classify as recession-related. Correct? [Derivation: Columns V:W refer to columns V:W in USPS-R2010-4R/10, ExigentImpact.xlsx, "Volume", which contain the volume impact of time trends that Thress classifies as recession-related.]
  - d. And the column labeled "Columns D:G" refers to the volume effect of "macroeconomic" variables. Correct? [Derivation: Columns D:G refer to columns D:G in USPS-R2010-4R/10, ExigentImpact.xlsx, "Volume", which contain the volume impact of macroeconomic variables.]
  - e. Now, please go to the bottom row of the table. The number "53,546" in parentheses in the "Total" column means that, in total, you attribute a decline of 53.5 billion pieces of mail to the recession in FY 2012?
  - f. The number "37,480" in parentheses in the "Columns V:W" column means that you attribute 37.5 billion pieces of the total recession-related volume decline to what you call "time trends"?
  - g. The number "16,065" in parentheses in the "Columns D:G" column means that you attribute 16 billion pieces of the total recession-related volume decline to what you call "macroeconomic" variables?
11. Please turn to your response to Presiding Officer's Information Request No. 3, Question 1. There you state: "Careful econometric analysis can be extremely useful in identifying when these net diversion trends might have changed and to quantify these trends historically. But to understand why these trends have changed requires moving outside of the econometric models and analyzing the underlying factors that are driving these trends."
  - h. These "trends" include the trends that you classify as recession-related. Correct?

- i. And these “recession-related” trends are the same ones responsible for 37.5 billion of the 53.5 billion piece FY 2012 impact of the recession. Correct? [See table provided in response to POIR No. 3, Question 5, discussed above.]
12. You’ll agree that your econometric models are good at determining *when* a trend accelerates or moderates, but your models can’t answer *why* the trend changes. Correct?
13. So to better understand why diversion trends changed, we can’t look to computer output. We need to look at judgments *outside* your model, right?

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